

GENERAL SERVICES ENTERPRISE
CUSTOMER COUNCIL MEETING MINUTES
September 25, 2003

Members Present: John Bradford, Chairperson; John Baldwin, Vice Chairperson (DOC); Capt. Bob Alles (DPS); Jennifer St.Jonn (DNR); Roger Johnson (Cultural Affairs); Greg Anliker (Elder Affairs); Charlie Smithson (Ethics).

Members Absent: Marcia Spangler (DPH); Mary Lawyer (IDED); Ruth White (Human Rights); Peggy Sullivan (Judicial); AFSCME Representative.

Others Present: Patrick Deluhery, GSE; Debbie O’Leary, GSE; Dale Schroeder, GSE; Scott Bertness, GSE; Tim Ryburn, GSE; Dean Ibsen, GSE; Terra Harrington, GSE; Nancy Williams, GSE; Ken Paulsen, GSE; Julie Economaki, GSE; Carol Stratemeyer, GSE; Shirley Walker, GSE; Mollie Anderson, DAS.

Call to Order

The meeting was called to order by Chairperson Bradford after the first presentation (awaiting a quorum of members).

Opening Comments

Patrick Deluhery welcomed everyone and suggested that we begin with the first presentation.

Approval of Minutes

Page three – discussing bar codes – change to read “can obtain”.
Charlie Smithson moved to approve the minutes with the change. Roger Johnson seconded the motion. Minutes approved. To be filed.

Product Line Presentation

Dale Schroeder, Administrator of the Fleet and Mail Division made a presentation to the group on the Fleet Division (copy attached as part of the minutes).

A copy of the Code of Iowa – Chapter 18, was passed along to members of the Board. The Code contains all of the state statutory requirements that govern how the state fleet is administered. Past General Assemblies and the Governor have taken an interest in how the fleet is administered.

Statutory Requirements and Policies

- 1990 Federal Clean Act.
- 1992 Federal Energy Policy Act – requires that certain percentages of purchases of the fleet be fueled with alternative fuels. In Iowa, that means E85.
- State Code – also talks about alternative fuel vehicles – we have an across the board requirement that 10% of fleet purchases every year be of vehicles that are propelled by alternative fuels.
- CAFÉ Standard (Corporate Average Fuel Economy) – Requirement that vehicles which GSE purchases each year, have to meet 27-1/2 MPG. Trucks and vans have to meet 20.8 MPG. There are some exceptions to that for law enforcement purposes, off-road vehicles and a few others.
- Vehicle assignment criteria – the Code states the Department of Administrative Services must have in place rules that maximize passenger fuel economy per mile. That means the vehicles have to be sized the smallest for the appropriate job.
- Reporting – there are dozens of reporting requirements in the Code – they mostly deal with data the fleet division is charged with providing each agency.
- Mileage Reimbursement – the Code gives the Department of Administrative Services the responsibility to establish a mileage reimbursement policy. GSE has had that responsibility for about six or seven years now.

Management Information

- GSE tries to provide agencies monthly, via billing statements, cost per mile data, maintenance and fueling costs, your depreciation charges. GSE has in the last year starting sending out maintenance notifications to you. Some departments have received reports on mileage reimbursement. GSE has also been sending out information on vehicle utilization so that you can take some of that information and make appropriate decisions on how you govern your own fleet.

Cars, Trucks & Vans

- Fleet goes through a rather lengthy process, working in conjunction with DAS purchasing to establish contracts that have statewide scope for all of the trucks, vans, police cars that are bought by state agencies. DAS works in conjunction with the three universities and DOT. This results in the “best bang for the buck” by pooling all of those statewide requirements together in one major procurement. GSE gets substantial discounts from General Motors, Ford and Chrysler in that bid process.
- Fleet has two or three car auctions each year.
- Fleet administers and provides each vehicle with a fuel card. The fuel cards are fairly well accepted at 98% of the stations in Iowa. This is called the “Wright Express Cards” and is up for re-bid next year. This has been very successful.
- Contracts for services – master contracts with Goodyear, Firestone, auto body contracts, General Motors, Ford and Chrysler for master billing which in many cases provides discounts on parts and labor.
- Billing and payments – all billing and payments for agency vehicles is provided by Fleet.
- Recalls/Technical Advisories – Fleet garage is certified by Ford, Chrysler and GM to do warranty work; along with that work we are able to have “drop shipments” of vehicles direct from the factory to Fleet. Fleet receives all recalls from the factories.

- Self-Insurance Fund.
GSE Fleet Division saved approximately \$800,000 per year in insurance payments when we went from a contracted insurance policy to having a self-insurance fund. The State does not have any commercial insurance.
We are self-insured liability for \$250,000; anything above that goes to the Appeal Board.
Collision - \$500.00 deductible with a \$5,000 maximum. The balance comes out of the department's budgets.
Fleet maintains about \$1 million dollars in reserves (this would be approximately 4 major claims)

Budget:

Fleet Income Sources

- Monthly vehicle fee of \$32.38
- FY 2003 Budget: \$969,501

Fleet Outputs - \$

- Personal services
- IT
- Support

Self-Insurance Income Sources

- Monthly Ins. Premium of \$24.75 per vehicle
- Regents Annual fee for service: \$28,368

Self-Insurance Outputs

- Personal services
- Support
- Attorney General
- Liability Claims
- Accident Repairs

In addition to processing and managing the self-insurance fund for the 2629 DAS vehicles, Kathy Shannon acts as a "claims processor" for the Board of Regents fleet of 1400 vehicles. For this service, Fleet receives \$28,368.

Self-Insurance Fund – typically has a balance of about \$1 million dollars, the theory is that we want to cover four \$250,000 claims at one time. If the balance exceeds \$1 million dollars the rate is adjusted down.

Customer Expectations

- Appropriate vehicle delivered timely
- Credit card
- Prompt payment to vendors
- Accurate customer bills
- Statutory compliance
- Timely management information
- Preservation of replacement funds (Depreciation Fund)

Customer Alternatives

- 180,000 Fuel transactions
- 25,000 maintenance transactions
- CAFÉ reporting
- Vehicle assignment criteria
- Quantity purchasing

Future of Fleet Services

- Separate of state garage.
- State garage will be “marketplace” effective July 1, 2004.
 - This represents approximately 38% of the \$969,000 budget.The \$32.38 a month that agencies are charged per vehicle will be reduced by that amount. Agencies will now be billed for services. GSE feels that we will be competitive in the \$40 to \$45 flat rate hourly rate – that compares to about \$75.00 an hour to a dealership.
- Past style of Fleet management
 - Previously the style of management has been rather “dictatorial” over the years.
- Moving forward
 - In the future, GSE wants to share those responsibilities with agencies. Where the ownership of the statutory requirements really falls on your shoulders with the Department of Administrative Services being there to assist you.

Questions/Responses

- Fleet currently has a service area (for its garage) that is a little larger than the boundaries of Polk County.
- GSE does not foresee shifting the reporting itself; we expect to see a shifting of the responsibility for compliance. In the past, the Fleet Division “has to meet” these objectives; therefore, you will buy this type of car, you will purchase this type of fuel and you will operate it according to these policies and procedures. GSE wants to back away from that dictatorial overtone, and say “these regulations/statutes” are your responsibility, we will report them as required, but it’s going to be a shared responsibility for meeting them. GSE really wants to take a backseat to that process, as opposed to being so forward in our tone on how you meet those requirements.

Debbie O’Leary, Administrator of the Service Delivery Division made a presentation to the group on the Purchasing Division (copy attached as part of the minutes).

Purchasing - Overview

1. GSE Purchasing Services
2. GSE Purchasing Customers
3. GSE Purchasing Staff
4. Financial Picture
5. Challenges and Opportunities
6. Proposal for Customer Council Consideration

Customer Expectations

1. Neutral Third Party
 - Purchasing “keeps you out of trouble”
2. Save Time
 - You want to have your staff focus on their “core responsibilities” and you really don’t want your staff to do a lot of “purchasing staff duties”.
3. Handle Disputes
 - You want someone to handle your appeals, problems with bids, etc.
4. Save Money
 - Everyone’s budgets are tight – everyone wants to save money.

5. Experience

- You want to know that the people that are doing the purchasing, bidding, etc. are experienced.

GSE Purchasing Can Offer You:

- GSE Purchasing serves as a neutral 3rd party during the bidding and contracting process.
- Saving of Time
 - Bidding and RFP's and statewide contracts.
 - Supplies for DNR
 - Bike helmets for Public Safety
 - Pontoon floats for barges for DNR
 - Contract for John Deere for all the John Deere equipment
- Save and Money for Agencies
 - Procurement card - you can make purchases on this card and pay one bill a month. Emergency Management is going to issue these to all 99 county Emergency Management Operations. Each card will have a dollar limit, according to the grant, and then they are going to use these cards to purchase the items for Homeland Security. This will save them an immense amount of time.
- Handling Disputes
 - Recently some of you have been involved in the digital scanning services, the vendor wasn't performing – the purchasing agent called the vendor in, worked with that vendor – advising the vendor you have x amount of time to perform or we will get a new vendor. They also went to the second bidder and allowed that bidder to work with state agencies as well. Purchasing handles vendors and the type of service that they receive.
 - If there is an appeal on a bid, Purchasing will handle that or work with the Attorney General's office or in-house counsel to handle those disputes.

Saving Money

- WSCA (Western States Contract Alliance) – takes the buying power of a number of states and puts those together so everyone receives a good bargain.
- Office supplies – we have a contract for the entire enterprise so that each agency doesn't have to go out and purchase their own office supplies – they can just buy off this master contract and it saves on the economy of scale.
- Vehicles – another money saving process GSE Purchasing does for agencies.
- Vehicle Auction – this is going to be part of the new module in the I/3 system. We will be able to save agencies more money.
- Consolidated Equipment Maintenance Program – GSE Purchasing put out a bid and Specialty Underwriters won the contract. They are going around talking to agencies about how you can save on your maintenance agreements. Agencies can save about 20 – 25% on maintenance agreements. DHS had Specialty Underwriters look at their copy machines and they will save about \$10,000.

Experienced Staff

- Administrative Rules
- Iowa Code Requirements
- Purchasing System and Procedures

- Accountable Government Act
 - There are a large amount of Administrative Rules; code requirements, purchasing system, purchasing procedures. After the Accountable Government Act, this is something the purchasing agents had to learn about.
 - GSE Purchasing agents have had over 200 years of experience in purchasing.
 - GSE also has some credentialed Purchasing Agents; they attend the national organization of purchasing agents and get a wealth of information from that organization.

Services Offered by GSE

- Assistance with Bidding Process
 - Some agencies do a lot of the specs themselves, others GSE does most of the specs and put that together in the bid document. It is up to the agency to decide how much they want GSE Purchasing to do for them.
- Contract Management (800+ contracts)
 - GSE has about 800 contracts that state agencies can buy off of. GSE Purchasing is responsible for entering into those contracts, negotiating those contracts and renewing those contracts.
- Service Contracting
 - Currently service contracting is done throughout all the agencies, each agency can do this on their own and we also have expertise on contracting.
- Advice for other purchasing agents
 - GSE offers a lot of advise for purchasing agents, answer contract questions, etc.
- Market targeted small business program
 - GSE markets the TSB program.
- Educate vendors on how to do business with the State
 - GSE does a lot of vendors on how to do business with the State.

GSE Purchasing Customers

<u>Top Five Customers</u>	<u>1% Fee *</u>
1. Dept. of Human Services	\$392,000
2. General Services	\$309,000
3. Department of Corrections	\$260,000
4. Veterans Home	\$ 88,000
5. Department of Natural Resources	\$ 55,000

Examples of Other Customers

Workforce Development	\$ 39,000
Department of Public Health	\$ 35,000
Department of Economic Development	\$ 30,000
Department of Public Safety	\$ 29,000
Revenue	\$ 16,000
Iowa Public Television	\$ 15,000
Human Rights	\$ 877
Elder Affairs	\$ 191
Ia. Ethics & Campaign Finance Board	\$ 84

* Average purchase over the last 3 years.

GSE Purchasing Staff

Purchasing Agents - Jeanette Chupp, Sharon Downey, Dave Kaili, Nola Penland, Doug Reed, Randy Stapp and Ashley Super.

Ken Paulsen, Supervisor – assigned to I/3

Barb Sullivan, systems coordinator, assigned to I/3

Julie Economaki, I/3 project coordinator

Pam Dickey, I/3 testing support, purchasing support, technical support

Nancy Williams – Secretary

Debbie O’Leary, Division Administrator

GSE Purchasing Financial Picture

Revenue

1% fee

\$1,165,697.91	FY01
\$ 895,476.53	FY02
\$1,005,969.76	FY03

Other Income

\$ 65,000	Service Level Agreements
\$ 12,000	Credit Card Rebate

Primarily, GSE Purchasing is financed by the 1% fee. In FY01 there was a lot of purchasing going on, but when you have years when there is not a lot of purchasing happening, it really affects the Purchasing Department.

GSE Purchasing Financial Picture

Expenditures

Salaries	\$1,039,107
Other	\$ 300,000*

* Right now we spend an awful lot on postage, IT support, mainframe processing. We pay for the maintenance of the purchasing system (AMS), legal, etc.

Challenges

Maintain an open, fair competitive process that meets multiple needs.

- Everybody needs to be able to look at this and see why a bid went to somebody else. It has to meet multiple needs.

Save Money

- You can't just switch to a different vendor – there must be a competitive bid.

Financing the Purchasing Operation

- Most of the GSE Purchasing income is based on the 1% fee – that varies widely depending on much purchases agencies make.

The Future

Move from processing paper to strategic sourcing.

- Strategic sourcing – we want to look at all the purchasing that are made by state government and see where we can get “better economy of scale”.
- Right now, we are spending a lot of time processing paper
- We want to move to more strategic sourcing of items for state government.

Provide more service contracting

- This is done throughout state government; every department does their own service contracting. We think we can develop some expertise in this area and provide that as a service to departments.

Provide more services to counties, cities, and schools

- This is an area we would like to explore more
- Right now, they can all buy off our state contracts – they don't pay GSE Purchasing to buy off the contract
- We are thinking of other services, helping them with their contracts, etc.

Policy changes

- Changing some Administrative Rules so we can do things electronically.
- Currently agency-purchasing agents can only purchase items if they are under \$2500.00. GSE Purchasing believes this should be increased to \$5,000.
- Contracting for goods – currently if the amount is \$5,000 the GSE Purchasing agent are required to go out for a formal bid. We are recommending that be increased to \$50,000 to purchasing agents will have time to focus on strategic sourcing rather than doing the more in depth paperwork currently required.

The Future: I/3

- Manages all steps of the purchasing cycle.
- Is integrated with all other parts of I/3 including accounts payable, fixed assets, and inventory
- Supports paperless internal processes
- Provides real time information
- Enables e-business with vendors

I/3 is an electronic purchasing system, it will be a very transparent system, you will be able to see every step of the process, vendors will be able to register on line. Vendors will be able to tell us what they are interested in and then they will get that information.

We hope in April 2004 that it will be available for agencies to use and then in July 2004 for vendors to use.

The Project Manager is Sharon Sperry. In GSE Purchasing, Julie Economaki, Ken Paulsen, Barb Sullivan are working full-time on the project and a number of our other purchasing agents are testing the system. It is not just one agency doing most of the work,

Disadvantages of the 1% fee

- Not a stable source of funding – agencies have found hundreds of ways to avoid the fee.
- Disincentive to save money

The Proposal

- Eliminate 1% fee
- Enter into Service Level Agreements with Agencies
- Establish a rate based upon the average amount of purchases made in FY's 01 through 03.

The Advantages

- Agencies allowed unlimited purchases without an additional charge.
- Ability to “strategic source”
- More Predictable
- Guaranteed level of service

Open Discussion

John Bradford stated he felt we have had really good presentations from all of the divisions. Starting next month the hard part for the Council starts – we get to start talking about rate structures, rate models and really getting into the details and the tough discussions of how we are going to deal with this. John thanked everybody again for all the time we will be putting into this as we move forward and encourage a lot of honest participation and straight-forward comments of what everybody thinks is happening and where we should go.

Mollie Anderson, Director of Department of Administrative Services, spoke to the group briefly. Mollie stated she believes there are a lot of opportunities for GSE to manage this from more of a macro enterprise perspective and the question is whether we can establish with you the right relationship with our customers to do this. There has been some debate on the other Customer Councils of what is a utility, the purchasing area is one of the places we feel it is a utility and the Governor believes there will be savings by managing this. If you think about the dollar amount there is wonderful opportunities to save money.

Adjournment

Roger Johnson moved to adjourn, Charlie Smithson seconded the motion. Meeting adjourned.

Reminder – next meeting will be Tuesday, October 21, 2003 in the Hoover Building, Level A – EMD Conference Room. This meeting will begin at 1:30 p.m. to review rates/Budgets

Respectfully submitted,

Patrick J. Deluhery, C.O.O.
General Services Enterprise

PJD:naw